

PUBLIC DISCLOSURE

July 7, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank:

Shore Bank & Trust Company
2190521
540 E. 105th Street
Cleveland, Ohio 44108

Supervisory Agency: Federal Reserve Bank of Cleveland

P.O. Box 6387
Cleveland, Ohio 44101-1387

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of the Shore Bank & Trust Company prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of July 7, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Outstanding. At its previous examination, August 8, 1995, the bank was rated Satisfactory.

DESCRIPTION OF INSTITUTION

Shore Bank & Trust Company ("SBTC") is a community development bank which opened in May 1994. The bank is a subsidiary of Cleveland Development Bancorp which is owned by Shorebank Corporation, Chicago, Illinois. As of March 31, 1997, the assets of the bank and the holding companies were as follows:

Entity	Assets
Shore Bank & Trust Company	\$37,519,000
Cleveland Development Bancorp	\$8,287,000
Shorebank Corporation	\$668,995,000

SBTC operates one office located in the neighborhood of Glenville in Cleveland, Ohio. As a community development bank, SBTC was specifically chartered to promote the development of targeted neighborhoods in the upper east side of Cleveland. The bank tries to achieve this goal by promoting the rehabilitation of homes, encouraging homeownership, and assisting with small business development.

SBTC offers the following loan products:

Residential Real Estate Lending

- mortgages
- refinancing
- repair and remodeling

Community Development Real Estate Lending

- purchase/rehabilitation
- new construction
- multi family
- commercial property
- lines of credit
- construction loans

Commercial Lending

- equipment purchase/lease
- inventory financing
- expansion
- receivables

Consumer Installment Loans

- auto
- education
- home improvement
- secured personal

DESCRIPTION OF CUYAHOGA COUNTY AND BANK'S TARGETED AREA

Currently, SBTC has targeted eight neighborhoods in Cleveland for development purposes. Most of the loans made benefit those particular neighborhoods. Those neighborhoods include St. Clair/Superior, Hough, Glenville, Forest Hills, South Collinwood, Fairfax, Buckeye Shaker, and University Circle. Many of the community development loans and the commercial loans are made to persons and businesses located outside of the targeted area. Therefore, Cuyahoga County was used as an assessment area for CRA evaluation purposes. Cuyahoga County is part of the Cleveland-Lorain-Elyria, Ohio Primary Metropolitan Statistical Area ("PMSA"). As of the 1990 census, the county's population was 1,012,219 with 121,248 people residing within the targeted neighborhoods. Over the past ten years, Cuyahoga County's population has declined slightly, at a rate of about one-half of one percent per year.

The majority of the SBTC's targeted area is comprised of low- and moderate-income households and families. However, the broader assessment area of Cuyahoga county is comprised of mostly middle- and upper-income households and families.¹ The following table provides further detail regarding the income distribution of households and families within the bank's targeted area and the assessment area of Cuyahoga County.

Income Level	% of Households		% of Families	
	TARGETED AREA	ASSESSMENT AREA	TARGETED AREA	ASSESSMENT AREA
Low	54.4%	27.1%	53.8%	22.1%
Moderate	17.1%	16.0%	18.9%	17.1%
Middle	13.9%	18.9%	14.9%	23.1%
Upper	14.6%	38.1%	12.4%	37.7%
Below poverty	37.2%	13.7%	34.7%	11.0%

Note: Below poverty is a subset of low-income

The U.S. Bureau of Census differentiates between household income and family income by defining household income as that of all persons occupying a housing unit, whereas family income includes only the income of those persons living together and related by birth, marriage, or adoption. The median household income of the targeted area was \$13,028 in 1990 compared to the median household income of \$28,595 for Cuyahoga County. The median family income in the bank's targeted area was \$16,460 in 1990 compared to \$35,749 for Cuyahoga County.

According to the 1990 census, the composition of the housing stock within the bank's targeted area was as follows:

¹**NOTE:** Low-, moderate-, middle-, and upper-income are defined as follows:

Low-income: Up to 50% of the median MSA family income.

Moderate-income: Greater than 50% up to 80% of the median MSA family income.

Middle-income: Greater than 80% up to 120% of the median MSA family income.

Upper-income: Greater than 120% of the median MSA family income.

- Rentals 55.6%
- Owner-occupied 31.2%
- Vacant 13%
- Boarded-up 2%.

The number of rental units within the targeted area is well-above the county, PMSA, and state rates of approximately 35%. Whereas, the number of owner-occupied units within the targeted area is disproportionately low; the percentage of owner-occupied units range from 57.7% to 63.1% within the county, PMSA, and state. Furthermore, the housing vacancy rates range from 6% to 7% in the rest of the state with the typical rate of boarded-up units at less than 1%.

As of April 1997, the unemployment rate in Cuyahoga County was 4.9%.² The largest employers in the greater Cleveland area include the following:

EMPLOYER	# OF EMPLOYEES
Federal government	18,500
Ford Motor Company	10,896
Catholic Diocese of Cleveland	10,000
Cleveland Clinic Foundation	9,900
Cleveland Board of Education	9,673
Cuyahoga County Government	9,232
The MetroHealth System	8,328
City of Cleveland	8,226
University Hospitals Health Systems, Inc.	7,640
State of Ohio	7,640
LTV Steel Company	7,500

The City of Cleveland's Neighborhood Development Policy has focused on the revitalization of Cleveland neighborhoods through the construction of single-family homes and the rehabilitation of existing homes. Job creation and retention has also been nurtured and approximately 80% of the city economic development investments were made to neighborhood-based small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

² *Ohio Labor Market Information*, Ohio Bureau of Employment Services

SBTC's CRA performance was analyzed using interagency examination procedures for small banks. The analysis covered the following factors:

- the loan to deposit ratio averaged over the past seven quarters;
- lending activity inside and outside the bank's assessment area;
- the reasonableness of the geographic distribution of loans within the bank's assessment area;
- the record of lending to borrowers with varying income levels;
- the distribution of loans to businesses and farms of different sizes; and
- the bank's response to any written complaints concerning its performance in helping to meet the credit needs within its assessment area.

Loan to Deposit Ratio Analysis

The bank's loan to deposit ratio meets CRA standards given the bank's size, financial condition, credit needs of the assessment area, competition, and secondary market activity. The loan to deposit ratio measures the net loans and leases of the bank compared to the total amount of deposits taken in from customers. The loan to deposit ratio is calculated for CRA analysis purposes by averaging the quarterly ratios from the quarter ending after the most recent prior CRA examination through the most current quarter for which accurate data is available.

For SBTC, the average ratio of 35.25% was calculated using seven quarterly ratios from September 1995 through March 1997. The peer bank average for the same time period was 64.71%. While the difference between SBTC and its peer banks is seemingly large, substantially lower loan to deposit ratios can be expected for de novo institutions within the first few years of operations. Furthermore, the bank's loan to deposit ratio has steadily increased since the bank began operations in 1994.

Additionally, the bank's deposits are comprised mostly of large, above-\$100,000 certificates of deposits which have been solicited from local businesses, other financial institutions, and non-profit organizations. As of March 1997, approximately 84% of the bank's deposits comprised of those above \$100,000. Overall, the bank has increased its deposits by 67.20% since June 30, 1995.

Lending Activity Inside and Outside the Bank's Assessment Area

A sample of the bank's community development, small business, and consumer loans was selected for review. Community development loans included single- and multi-family housing units. Of the loans sampled, the distribution of loans made to entities from within the bank's assessment area was as follows:

- Community development loans - 98%
- Small business loans - 68%
- Consumer loans - 100%

Of the properties developed through funds from community development loans, all were within the bank's assessment area and 88% were within SBTC's targeted area.

Based on the sample reviewed, it appears that the bank's lending efforts are concentrated within its assessment and targeted areas.

Geographic Distribution of Loans Within the Bank's Assessment Area

An analysis of the geographic distribution of loans by income level of census tracts reveals that the bank's borrowers and the properties developed are concentrated in low- and moderate-income census tracts. The following table shows the distribution of the bank's borrowers by the income levels of their respective census tracts:

Loan Type	Low-income tracts	Moderate-income tracts	Middle-income tracts	Upper-income tracts
Community development	35%	26%	26%	13%
Small business	34%	32%	20%	14%
Consumer	38%	28%	28%	7%

Of the properties developed, 76% are in low-income tracts and 23% are in moderate-income tracts. One property is in a middle-income tract; no properties are in upper-income tracts.

Distribution of Loans to Borrowers and Businesses of Different Income and Sizes

The distribution of the bank's consumer and residential mortgage loans by borrowers' incomes is also heavily concentrated among low- and moderate-income borrowers. The following table shows the distribution of loans by borrower income and the percentage of families in each income category in the bank's targeted area and assessment area.

	Low-income	Moderate-income	Middle-income	Upper-income
Consumer	11%	37%	37%	15%
Residential	23%	38%	36%	3%
<i>Population in target area</i>	53.8%	18.9%	14.9%	12.4%
<i>Population in assessment area</i>	22.1%	17.1%	23.1%	37.7%

Although the percentage of loans to low-income borrowers is significantly lower than the low-income family population within the target area, 35% of the population is at below-poverty level. It would be difficult for individuals whose earnings are below poverty to qualify for any type of loan.

The distribution of business loans was analyzed by the gross revenues of the borrowers. According to the Equal Credit Opportunity Act, a small business or farm is defined as one having gross annual revenues of less than \$1 million. The following table shows the distribution of business loans by number of loans and by dollar amount of the loans sampled.

	Loan Amount<=\$100,000	\$100,000<Loan Amount<=\$250,000	\$250,000<Loan Amount<=\$1,000,000	Total
% of Total Loans	75%	6%	19%	100%
% by # to Small Businesses	93%	100%	43%	83%
% of Total Amount of Loans	28%	7%	65%	100%
% by \$ to Small Businesses	91%	100%	42%	60%

As can be seen from this table, the majority of SBTC's loans are made to small businesses. Also, the bank is very active in making small loans to commercial enterprises of all sizes.

Bank's Response to any Written Community Reinvestment Act Complaints

No complaints relating to the bank's Community Reinvestment Act performance were received by the bank or by this Reserve Bank.

Other Community Development Activities

SBTC provides or participates in a variety of community development services. Bank personnel act on behalf of the bank in a variety of roles which add to the community development mission of the bank. Community development activities which are considered in evaluating SBTC's CRA performance include only those activities which are related to the provision of financial services and benefit to low- moderate-income persons or areas. Such activities can also include those which promote economic development by financing businesses or promoting revitalization or stabilization in low- and moderate-income areas.

The bank assists individuals attain affordable housing through four Home Buyers Club programs co-sponsored with the Neighborhood Housing Services of Cleveland ("NHS"). The programs are intended to educate first-time home buyers about the entire home purchasing process, from applying for credit to understanding the ramifications of home ownership. The Home Buyers Club programs consist of four weekly sessions, with each session lasting two to three hours. A bank officer has been a course instructor. In total, 57 persons have participated in the sessions, of which 20% or 11 persons purchased a home. Not all Home Buyers Club participants who purchased a home received or applied for financing through SBTC. However, the bank feels that the programs are effective even if the home purchasers receive credit from other financial institutions' first time home buyer programs.

Furthermore, SBTC's directors, officers, and employees actively participate in organizations which provide community development activities within the bank's assessment area. The bank representatives provide services which are directly related to their financial and community development expertise. The organizations and positions held include but are not limited to the following:

Organization	Position(s)
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Neighborhood Progress, Inc.	Board member, treasurer
Greater Cleveland Roundtable	Board member
Greater Cleveland Growth Association	Board member
Enterprise Foundation	Board member
Corporation for Enterprise Development	Board member
Center for Community Change	Board member
Ohio City Near West Development Corporation	Public relations committee member
City of Cleveland Neighborhood Advisory Group	Job retention & industrial development subcommittee chairperson
City of Cleveland Empowerment Zone	Business & economic development subcommittee member